

Message Text

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51

ACTION EUR-25

INFO OCT-01 IO-14 ISO-00 EURE-00 AGR-20 SWF-02 AID-20

CEA-02 CIAE-00 COME-00 EB-11 FRB-02 INR-10 NSAE-00

RSC-01 CIEP-02 SP-03 STR-08 TRSE-00 LAB-06 SIL-01

SAM-01 OMB-01 SS-20 NSC-07 L-03 H-03 PA-04 PRS-01

USIA-15 TAR-02 DRC-01 /186 W
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FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC PRIORITY 7182

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY MOSCOW

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION GENEVA

USMISSION OECD PARIS

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PASS AGRICULTURE

E.O. 11652: NA

TAGS: EAGR, EEC ETRD

SUBJECT: EC COMMISSION OFFICIALS' COMMENTS ON BEEF AND SUPPORT
PRICES

REF: EC BRUSSELS 5035

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1. BEGIN SUMMARY: THE FRENCH TRADE HAS SOLD 2,500 MT OF BEEF

TO THE USSR. EC BEEF IMPORTS IN 1974/75 WILL TOTAL ABOUT 400,000 MT. ABOUT 250,000 MT OF EC BEEF WILL GO INTO INTERVENTION STOCKS IN 1974/75. THE EC DOES NOT INTEND TO BAN BEEF IMPORTS FROM THIRD COUNTRIES FOR AN EXTENDED PERIOD OF TIME. THE COMMISSION STRONGLY OPPOSES THE U.K. BEEF DEFICIENCY PAYMENT PROPOSAL AS A SOLUTION TO THE PRESENT PROBLEM AND INSTEAD PREFERS INCENTIVE PAYMENT TO FARMERS TO HOLD CATTLE FOR LONGER PERIODS. THERE WILL BE NO PROPOSALS FOR A PORK INTERVENTION SCHEME. THE COMMISSION OPPOSES A MID-YEAR CAP PRICE SUPPORT REVIEW AND PREFERS INSTEAD DEVALUING CERTAIN MEMBER STATES' CURRENCIES RELATIVE TO THE UNIT OF ACCOUNT. END SUMMARY.

2. DURING CALLS ON WIJNMAALEN, LARDINOIS'S CHEF DE CABINET, AND ON AVERY, A MEMBER OF SOAMES' CABINET RESPONSIBLE FOR AGRICULTURAL MATTERS, WE TOOK THE OCCASION TO EXPRESS CONCERN OVER EC MEASURES TO FURTHER RESTRICT ENTRY OF BEEF FROM THEIR COUNTRIES. WOJNMAALEN TOLD US THE FOLLOWING:

3. THE FRENCH HAVE SOLD 2,500 MT OF BEEF TO THE USSR, THIS SALE WAS A TRIAL BALLOON WITH NO SPECIAL TERMS AND THERE PROBABLY WILL BE NO MORE FRENCH BEEF SOLD TO USSR. BEEF WILL NOT COME FROM INTERVENTION STOCKS.

4. THE EC WILL IMPORT ABOUT 400,000 MT OF BEEF IN 1974/75, COMPARED TO ABOUT 900,000 TONS THE PREVIOUS YEAR. UNDER THE PRESENT "JUMELAGE" SYSTEM, A LIKE QUANTITY WILL HAVE TO BE PURCHASED BY IMPORTERS FROM INTERVENTION STOCKS. BUT SINCE THE EC IS SELF-SUFFICIENT IN BEEF, ABOUT 250,000 MT OF EC BEEF WILL GO INTO INTERVENTION STOCKS IN 1974/75.

5. THERE IS NO COMPLETE BAN ON BEEF IMPORTS, AND IT IS NOT THE EC'S INTENTION TO IMPOSE ONE. PRESENT POLICY IS TO RESPECT GATT BEEF QUOTAS AND TO PERMIT A LITTLE IN EXCESS OF THEM TO BE IMPORTED.

6. THE COMMISSION DOES NOT LIKE THE U.K. BEEF DEFICIENCY PAYMENT PROPOSAL BECAUSE IT FEELS SUBSIDIES WOULD DEPRESS MARKET PRICES AND BE TOO COSTLY. MOREOVER, LOWER MARKET PRICES WOULD NOT BE REFLECTED IN PRICES PAID BY CONSUMERS BECAUSE RETAIL LIMITED OFFICIAL USE

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MARKETING COSTS CONTINUE TO INCREASE. THE SOLUTION IS A MEANS TO CONVINCE FARMERS TO HOLD SLAUGHTER CATTLE FOR 3 TO 4 MONTHS LONGER THAN NORMAL, THAT IS, LONGER THAN 18 MONTHS. FOR THIS REASON THE COMMISSION WILL PROPOSE TO THE COUNCIL PREMIUMS TO BE PAID TO FARMERS AS INCENTIVES TO HOLD CATTLE.

7. THE COMMISSION HAS NO INTENTION OF PROPOSING AN INTERVENTION SCHEME FOR PORK. SUCH A SCHEME WOULD BE UNACCEPTABLE

BECAUSE OF COST AND TENDENCY OF PORK QUALITY TO DETERIOR-
ATE RAPIDLY IN STORAGE.

8. THE COMMISSION OPPOSES THE FRENCH AND BELGIAN REQUESTS FOR A
MIDYEAR REVIEW OF 1974/75 CAP SUPPORT PRICES. OPENING THE
PRICE FILE AT THIS TIME WOULD NOT HELP RESOLVE THE CURRENT
DIFFICULTIES IN THE LIVESTOCK SECTOR AND WOULD ONLY INVOLVE THE
CAP IN ANOTHER CRISIS. THE COMMISSION PREFERS CERTAIN MONETARY
MEASURES TO HELP PRODUCERS IN MEMBER STATES WHOSE CURRENCIES HAVE
DEPRECIATED AGAINST THE UNIT OF ACCOUNT AND WHERE INFLATION RATES
ARE HIGHEST. ONE SUCH MEASURE WOULD BE DEVALUATION OF CURRENCIES
RELATIVE TO THE UNIT OF ACCOUNT WHICH WOULD AUTOMATICALLY RE-
SULT IN HIGHER SUPPORT PRICES IN TERMS OF NATIONAL CURRENCIES.

9. AVERY WAS SOMEWHAT LESS FORTHCOMING. HE SAID THAT THE
COMMISSION SAW ANY ACTION ON BEEF IMPORTS NOT IN TERMS OF
FINDING A MEANS TO SHUT THE DOOR BUT RATHER HOW MUCH THE DOOR
SHOULD BE SHUT. THE COMMISSION'S UNDERLYING CONCERN HERE IS
PROBABLY REACTIONS FROM THIRD COUNTRY SUPPLIERS OF BEEF. HE
SAID THAT THE U.S., THEREFORE, SHOULD BE PLEASED WITH THE COMMISS-
SION'S MEASURES AND PROPOSALS REPORTED IN THE REFTEL. WE
REPLIED THAT WE WOULD NOT BE HAPPY WITH ANY MEASURE THAT HAD
THE EFFECT OF FURTHER RESTRICTING THE ENTRY OF BEEF FROM
THIRD COUNTRY SUPPLIERS. GREENWALD

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